Appendix A Selected Issues

This appendix discusses several technical issues that have surfaced during HCFA's review of ACRPs for contract years 2000 and 2001.

Enrollees Electing Hospice

M+C plan enrollees who elect hospice receive health care related to their terminal illness from the hospice, not the M+C plan. However, such enrollees may need other health care not related to their terminal illness. If an enrollee remains in the M+C plan after making a hospice election, the plan (not the hospice) must provide any such other health care it covers.

ACRs for M+C plans that are renewing their contracts should reflect some, but not all, of the costs and payments for health care benefits for members projected to elect hospice while staying in the plan. However, ACRs for new M+C plans do not reflect such costs or payments.

Costs of M+C Program Benefits

Of any base period costs an M+C plan incurs for benefits other than those that are the responsibility of the Medicare hospice, all but the costs of Medicare-covered benefits should be reflected in the ACR.

In ACR

With respect to M+C plans that were operating two years before the contract year, costs for additional, mandatory supplemental, and optional supplemental benefits provided to enrollees electing hospice should be reported on Worksheet B. Such costs will be imported by Worksheet D and the trend factor will be applied. The relevant entries on Worksheet E will be affected accordingly.

If your plan did not provide additional, mandatory supplemental, and optional supplemental benefits in the base period to members electing hospice, you will not have any related costs to report on Worksheet B. The same is true if your plan did not operate in the base period. Therefore, if you need to project such costs in the contract year, report them as an expected variation on Worksheet D.

Not in ACR

An M+C organization can bill fee-for-service Medicare for any Medicare-covered benefits it provides to an enrollee electing hospice, if the benefits are not related to the enrollee's terminal illness. The base year costs for such Medicare-covered should *not* be included in Worksheet B. In addition, contract year projections of such costs should *not* be in Worksheet D. Finally, Medicare's reimbursement (under fee-for-service) to M+C organizations for the costs of non-hospice, Medicare-covered benefits should *not* be included in the ACR.

Costs of Hospice Benefits

As stated above, when an M+C plan enrollee elects hospice, the hospice provides the enrollee with Medicare-covered benefits related to the terminal illness. An M+C organization cannot bill Medicare for the costs of those benefits. Fee-for-service Medicare pays the hospice directly for such costs. Therefore, neither the hospice costs nor Medicare's reimbursement (under fee-for-service) for them should be included in an ACR.

Annual Payment Rate (APR)

When any enrollee of an M+C plan elects hospice, HCFA notifies the relevant M+C organization and reduces its monthly payment to the plan for that enrollee. The reduced payment, or hospice rate, is determined by the plan's ACR for that contract year. In contract year 2001, the hospice rate is the adjusted excess amount on line 11 of Worksheet E, Part I. The hospice rate effectively is payment for any additional benefits that the plan offers and that it therefore must provide to its enrollees who have elected hospice.

The APR for M+C plans operating during the year before the contract year is affected by any hospice payments to the plan in the year before the relevant contract year. The APR, as calculated on ACR Worksheet A1, is a function of HCFA's actual payments in the year before the contract year. Because hospice payments are lower than HCFA's regular payments to M+C plans, whenever a plan's previous year payments were reduced because of enrollees electing hospice, its contract year APR always will be lower than it would have been otherwise (assuming no offsetting adjustments in column c or column j of the worksheet).

Generally, membership projections used for the APR for any M+C plan should include some enrollees that have elected or may elect hospice. However, if organizations have adequate justification, they can project zero enrollees electing hospice for purposes of the APR.

ENROLLEES WITH ESRD

Generally, Medicare eligibles with end stage renal disease (ESRD) cannot enroll in an M+C plan. However an exception applies to people with ESRD who were commercial members of the managed care organization in the month preceding the month of enrollment as a Medicare member. In addition, the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 permits ESRD enrollees of an M+C plan that has terminated to enroll in another M+C plan in their area. Finally, Medicare eligibles that develop ESRD while enrolled in an M+C plan can remain in the plan.

HCFA has a special payment rate for ESRD enrollees. If the plan had ESRD enrollees in year before the contract year, the ESRD payments will be included in HCFA's actual payment rate for that year. With respect to the calculations on Worksheet A1 the APR will be higher than otherwise for any plan with ESRD payments in the previous year (assuming no offsetting adjustments in column c or column j of Worksheet A1).

Any base year costs that an M+C organization incurs for enrollees with ESRD should be reflected in Worksheet B. M+C organizations can use the expected variation feature of Worksheet D to make an necessary adjustment to trended values for the contract year.

M+C organizations must be able to document, during an audit, the justification for projecting no ESRD enrollees in the contract year or projecting significantly fewer ESRD enrollees in the contract year than in previous years.

ESRD Network Fee

HCFA reduces the payment rate for enrollees with ESRD by the equivalent of 50 cents per renal dialysis treatment. The funds are used to help pay for the ESRD network program.

M+C organizations are allowed to charge the network fee as an administrative expense on Worksheet B. Whenever the fee is reflected in Worksheet B, the contract year ACR costs are increased (assuming no offsetting expected variations in Worksheet D).

If the network fee is reflected as a cost in Worksheet D, it also should be included in the plan's APR. HCFA's actual monthly payments used for column c of Worksheet A1 will have been reduced for withholding of the network fee. If a network fee has been withheld, add it back by making an adjustment in column c or column j of the worksheet. If the network fee has not been withheld in the year before the contract year of an ACR and you assume no ESRD costs in the contract year make no adjustments on Worksheet A1 However, in that case, be sure that you have removed the any ESRD costs from Worksheet D using the expected variation feature.

M+C organizations should be able to document, during an audit, that any required adjustments for ESRD network fees have been made. If the adjustments have not been made, the organization should be able to show that they would not materially affect the adjusted excess amount for the plan.

INFORMATION CAMPAIGN USER FEE

HCFA assesses an information campaign fee on each M+C plan offered by M+C organizations. The purpose of the fee is to defray HCFA's expenses for disseminating M+C enrollment information and operating a health insurance counseling and assistance program.

For purposes of the ACR, that fee is handled almost in the same way as the network user fee described above. The only exception relates to the fact that the information campaign fee is generally withheld from government payments to M+C organizations over the first 9 months of each year. Therefore, ACR preparers need to remember that the total annual fee withheld needs to be averaged over a 12-month interval to get the correct per-member per-month values for purposes of Worksheet A1 or Worksheet B.

For example, some organizations use HCFA's most recent monthly demographic report as the basis for APR calculations in an ACR. Typically organizations use the demographic report for March or April. The actual monthly government payment shown in such reports will be one-ninth of the total fee, rather than one-twelfth. Therefore, the amount must be converted to the latter basis for purposes of the ACR.

INSIGNIFICANT ADJUSTMENTS

M+C organizations don't have to make the adjustments described above if they can demonstrate that making them would not affect the adjusted excess amount on Worksheet E by more than one cent per member per month.